

Message Text

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62

ACTION EUR-25

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FM AMEMBASSY BRUSSELS

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INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS UNN

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UNCLAS BRUSSELS 4155

E.O. 11652 NA

TAGS: XG, EFIN, BE

SUBJECT: GOB FINANCE MINISTER ON MONETARY POLICY

1. SUMMARY - GOB FINANCE MINISTER DE CLERCQ, SUMMING UP
MONETARY DEVELOPMENTS DURING PAST SIX MONTHS OF BELGIAN
EC COUNCIL PRESIDENCY,

- STRESSED URGENCY OF INTERNATIONAL MONETARY REFORM, AND
SUGGESTED GREATER EUROPEAN INITIATIVE IN MONETARY NEGOTIATIONS,

- UNDERLINED IMPORTANCE OF EUROPEAN UNITY IN MONETARY AFFAIRS,
ESPECIALLY OF JOINT FLOAT,

-POINTED TO NEED FOR REINFORCING EUROPEAN MONETARY FUND
BY CONSOLIDATING RESERVES AND MANAGING SHORT-TERM CREDIT,

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- STATED GOB PREFERENCE FOR MORE RAPID CREATION OF EUROPEAN

CURRENCY, AND

- ATTRIBUTED SLOW PROGRESS TOWARD EUROPEAN ECONOMIC AND MONETARY UNION TO NATIONALISTIC UNWILLINGNESS TO YIELD MORE AUTHORITY TO EC INSTITUTIONS.

DE CLERCQ ALSO, NOTING THAT DOLLAR IS NOW UNDER-VALUED, STATED THAT CURRENT DOLLAR RATE WOULD BE INTOLERABLE TO EUROPE EXCEPT FOR PRESENT ECONOMIC BOOM. END SUMMARY.

2. ON JULY 17, GOB FINANCE MINISTER DE CLERCQ HELD A PRESS CONFERENCE AT WHICH HE DISCUSSED MONETARY DEVELOPMENTS OF PAST SIX MONTHS DURING WHICH BELGIUM HELD EC COUNCIL PRESIDENCY. BEGINNING WITH BRIEF REVIEW OF CURRENT INTERNATIONAL MONETARY SITUATION, HE COMMENTED THAT MONETARY FLEXIBILITY, PROMOTED BY THEORETICAL ECONOMISTS, HAS BEEN FOUND VERY DISTURBING. SPECULATIVE FACTORS HAVE DRIVEN DOWN DOLLAR TO RATE WHICH ALL RECOGNIZE AS UNDERVALUATION. HE COMMENTED THAT ONLY PRESENT ECONOMIC BOOM PERMITS EUROPE TO LIVE WITH THIS SITUATION, AND IF ECONOMIES DECLINE, GOVERNMENTS WILL HAVE TO ADOPT SERIOUS MEASURES TO PROTECT EMPLOYMENT. IT IS THEREFORE URGENT TO BEGIN REAL NEGOTIATIONS ON REFORM OF INTERNATIONAL MONETARY SYSTEM. DE CLERCQ ADDED THAT G-20 DEPUTIES HAVE PREPARED GROUND FOR END OF JULY MINISTERIAL MEETING LOOKING TOWARD SEPTEMBER NAIROBI SESSION. DE CLERCQ SAID THAT TWO MAIN ISSUES FOR NAIROBI WILL BE ADJUSTMENT PROCESS AND CONVERTIBILITY AND THAT THESE QUESTIONS ARE BOUND TOGETHER TECHNICALLY AND POLITICALLY; U.S. WANTS TO FIND AGREEMENT ON ADJUSTMENT PROCESS BEFORE ACCEPTING DOLLAR CONVERTIBILITY, WHILE EUROPEANS INSIST ON CONVERTIBILITY AS INDISPENSABLE CONDITION FOR ESTABLISHING NEW ADJUSTMENT PROCEDURES.

3. ON EUROPEAN SCALE, DE CLERCQ STRESSED IMPORTANCE OF MARCH 11 DECISION TO FLOAT SNAKE AGAINST OTHER CURRENCIES, WHICH PERMITS RELATIVE STABILITY FOR MOST INTRA-EUROPEAN TRADE, HE HOPED THAT EC COMMISSION'S "EXCELLENT" END OF JUNE REPORT WOULD AFFORD OPPORTUNITY FOR THREE EC NON-PARTICIPATING COUNTRIES TO JOIN SNAKE AND ALSO FOR A REINFORCEMENT OF EUROPEAN MONETARY FUND IN DIRECTION OF CONSOLIDATING RESERVES AND MANAGING SHORT-TERM CREDIT. HE BELIEVED IT ESSENTIAL THAT PARALLEL MEASURES BE TAKEN TO COORDINATE EC MEMBERS ECONOMIC POLICY WHICH "TOO OFTEN, ESPECIALLY WITH REGARD UNCLASSIFIED

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TO ANTI-INFLATION MEASURES, IS NOT SUFFICIENTLY COORDINATED ON EUROPEAN LEVEL".

4. DE CLERCQ URGED SERIOUS CONSIDERATION FOR EARLY CREATION OF EUROPEAN CURRENCY, FIRST TO BE USED AMONG CENTRAL BANKS, THEN AS DENOMINATOR FOR DEBT ISSUES AND LATER FOR COMMERCIAL TRANSACTIONS. HE SAID THAT THIS WOULD NECESSARILY IMPLY FULL CONSOLIDATION OF MEMBER COUNTRY RESERVES. PROGRESS DURING THE

FIRST PHASE OF ECONOMIC AND MONETARY UNION HAS NOT BEEN ESPECIALLY GOOD, HE BELIEVED, AND ONE OF THE BASIC REASONS IS NATIONALISTIC RELUCTANCE TO TRANSFER NATIONAL AUTHORITY TO COMMUNITY. "WE DO NOT YET SUFFICIENTLY RECOGNIZE THAT CERTAIN AUTHORITY CANNOT BE EFFICIENTLY EXERCISED EXCEPT AT COMMUNITY LEVEL."
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